

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4616-01  
Bill No.: HB 1938  
Subject: Health Care; Hospitals; Insurance - Medical; Medical Procedures and Personnel  
Type: Original  
Date: February 25, 2002

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**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Insurance Dedicated	\$9,850	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$9,850</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

**FISCAL ANALYSIS**

## ASSUMPTION

Officials from the **Missouri Department of Conservation** assume this proposal would not fiscally impact their agency.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state this proposal allows a physician to refer a patient who has been newly diagnosed with cancer to an appropriate specialist in or outside the network for a second opinion. The health plans are required to cover the second opinion at the same benefit level as other referrals and conditions applicable to other benefits.

HCP states health plans contract with providers at discounted rates. The most efficient use of coverage under the policy is to follow the referral (if required) and network requirements. Under HCP's gatekeeper HMOs, the members are required to obtain a referral from their PCP to a network specialist. HMOs control costs by directing and controlling care through PCPs. HMOs use capitation as a provider reimbursement system. If HMOs are required to provide the second opinions to non-network providers at the same benefit levels as other benefits, the HMOs face negotiating individually with the non-network providers who would expect fee for service. If these providers refuse to accept a negotiated rate, the HMOs face higher costs, especially if the member opts to go out of state.

HCP states the open access HMOs and the PPO allow members to access network providers without a referral. However, depending on the plan type, a member may receive reduced or no benefit for utilizing non-network providers. With the provisions of this proposal, the HMOs would need to follow the same negotiation process as above. The PPOs already reimburse at fee-for-service levels and would be more successful in negotiating with non-network providers. However, if the providers refuse to accept a discounted rate, the PPO faces higher costs, especially if the member opts to go out of state.

HCP states since the contracting agreements and reimbursement styles vary by plan type, it is difficult to predict the fiscal impact of this proposal. However, since most plans are subject to network adequacy standards, they seek to contract with a vast field of highly qualified and well-known physicians. Therefore, members may want to voluntarily stay in the network. However, for those members who opt to go to non-network providers, the cost could be substantial. This cost could be passed to the member through increased premiums. HCP expects the impact to be moderate.

**Oversight** assumes since members currently may receive second opinions from in-network providers, fiscal impact would be minimal.

ASSUMPTION (continued)

Officials from the **Department of Social Services - Division of Medical Services (DMS)** assume the proposed legislation requires insurance companies to provide coverage for a second opinion by a specialist for a patient that has been newly diagnosed with cancer. The specialist, referred by the physician, may be within or outside of the patient's provider network.

The proposed legislation will not have a fiscal impact to the DMS. Currently, second opinions for cancer patients are already a covered service for Missouri Medicaid in the fee for service program and the managed care program.

For the fee for service program, section 1.5 (which is the list of Restricted Benefits) in the Missouri Medicaid provider manual does not include second opinions; therefore, Missouri Medicaid does cover second opinions. Section 13.30 of the provider manual specifically references coverage for second opinions on surgeries. For the managed care program, the MC+ managed care contracts paragraph 2.13 provide for second opinions. DMS assumes that if the health plan has an appropriate medical specialist within the plan's network, its okay to use the in-network provider.

Officials from the **Department of Insurance (INS)** assume insurers and HMOs would be required to amend their policies to comply with this legislation. Amendments must be filed with INS. INS estimates that 171 insurers and 26 HMOs would be required to file at least one amendment to their policy form with a filing fee of \$50, resulting in revenue of \$9,850 in FY 2003. INS has reached capacity in policy form reviews and the additional workload created by this legislation would cause delays in policy form reviews. Additional staff are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments, the department would need to request additional staff to handle the increase in workload.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer their fiscal note response to the Department of Transportation.

Officials from the **Department of Transportation (DHT)** state the Highway & Patrol Medical Plan is not mentioned in the legislation but section 104.801 RSMo. 2000 would require similar coverage. Currently, the Medical Plan does cover a second opinion, whether the specialist is in the provider network or out of the provider network. The only difference is that charges with a provider in the network are paid at a 90% co-insurance with the maximum out-of-pocket for the patient at \$750 and charges with an out-of-network provider are paid at an 80% co-insurance with the maximum out-of-pocket for the patient increasing to \$1,500. In addition, DHT states office visit charges with an in-network provider have a \$15 co-pay for the patient without being applied to their deductible and co-insurance. Out-of-network office visit charges are applied to the patients deductible and co-insurance.

ASSUMPTION (continued)

CM:LR:OD (12/01)

Based on the current language, DHT assumes there would be no fiscal impact to DHT or the Highway and Patrol Medical Plan.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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**INSURANCE DEDICATED**

Income - Department of Insurance			
Form filing fees	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>

<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>\$9,850</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses could be expected to be fiscally impacted to the extent that they could incur increased health insurance premiums as a result of the requirements of this proposal.

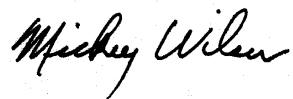
DESCRIPTION

This proposal requires health care entities to provide coverage for a second medical opinion by an appropriate specialist for patients with a newly diagnosed cancer. This coverage must be provided even if the specialist is not in the provider's network.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation  
Department of Social Services  
Missouri Consolidated Health Care Plan  
Department of Insurance  
Missouri Department of Conservation  
Department of Public Safety -  
Missouri State Highway Patrol

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Acting Director  
February 25, 2002